

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 INT-05 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 GSA-01 EUR-12 /059 W

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R 261100Z NOV 74

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 1766

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMCONSUL SALVADOR BY POUCH

AMCONSUL PORTO ALEGRE BY POUCH

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DEPT PASS USGS AND BUREAU OF MINES

E.O. 11652: N/A

TAGS: BR, EMIN

SUBJECT: COPPER DEVELOPMENTS IN BRAZIL

SUMMARY. COPPER IMPORTS WILL COST BRAZIL APPROXIMATELY \$300 MILLION THIS YEAR. INTENSIVE EXPLORATION FOR ADDITIONAL DOMESTIC ORE RESERVES HAS NOT BEEN FRUITFUL. THE ONLY SIGNIFICANT KNOWN DEPOSIT WHICH COULD BE BROUGHT INTO PRODUCTION IN NEXT FIVE YEARS HAS BEEN BESET WITH POLITICAL/ECONOMIC PROBLEMS, BUT THEY MAY SOON BE RESOLVED. IN MEANTIME, GOB IS NEGOTIATING WITH CHILE, PERU AND MEXICO TO ASSURE LONG-TERM SOURCES OF SUPPLY. END SUMMARY. EMBASSY BRASILIA CONCURS.

1. GOB HAS TAKEN IMPORTANT STEP TOWARD EXPLOITING BRAZIL'S ONLY KNOWN SIGNIFICANT COPPER DEPOSIT. CARAIBA PROPERTY IN BAHIA HAS ESTIMATED RESERVES OF 35-50 MILLION MT OF ORE CONTAINING 1.2 PERCENT COPPER. DEVELOPMENT OF PROJECT IS EXPECTED TO PROCEED NOW THAT COMPLEX POLITICAL/ ECONOMIC PROBLEMS WHICH HAVE SURROUNDED IT FOR PAST FOUR YEARS APPEAR ON THEIR WAY TOWARD BEING RESOLVED.

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2. FRANCISCO "BABY" PIGNATARI, A COLORFUL AND ECCENTRIC BRAZIL-
IAN, HAD HELD CARAIBA CONCESSION. HE WAS FINANCIALLY UNABLE TO
DEVELOP CARAIBA INDEPENDENTLY, BUT WAS UNWILLING TO NEGOTIATE
SERIOUSLY WITH OTHER COMPANIES INTERESTED IN PROJECT. GOB HAD
BEEN LOATHE TO TAKE STRONG ACTION AGAINST HIM, EVIDENTLY BECAUSE
OF FEAR OF ADVERSE REACTION FROM BUSINESS COMMUNITY AND OF BECOM-
ING INVOLVED IN POTENTIALLY UNPROFITABLE VENTURE.

3. HOWEVER, IN FACE OF ANTICIPATED \$300 MILLION COPPER IMPORTS
THIS YEAR AND CONTINUED DELAYS BY PIGNATARI, GOB'S PATIENCE WORE
OUT. ON NOVEMBER 18 MINISTER OF PLANNING REIS VELOSO REPORTEDLY
SIGNED A CONTRACT WITH PIGNATARI TRANSFERING CONTROL OF LATTER'S
CARAIBA METAIS S.A. TO FIBASE, A SUBSIDIARY OF GOB-OWNED NATIONAL
DEVELOPMENT BANK, THE BNDE. (FYI: GOB TAKE-OVER OF CARAIBA
METAIS REPORTED IN RIO A-43 OF FEBRUARY 5, 1973, DID NOT
MATERIALIZE END FYI.) FIBASE ALSO ACQUIRED PIGNATARI'S CONTROL-
LING INTEREST IN CAMAQUA, BRAZIL'S ONLY EXISTING COPPER MINE,
LOCATED IN RIO GRANDE DO SUL, WHICH IN 1973 PRODUCED 381,000 MT
OF ORE CONTAINING 0.847 PERCENT COPPER. WITH ITS ASSUMPTION OF
CARAIBA OWNERSHIP, GOB IS EXPECTED TO MOVE AHEAD AND DEFINE A
PROJECT FOR ADDITIONAL EXPLORATION, MINING, AND SMELTING. BECAUSE
A NEW FEASIBILITY STUDY ALONE MAY TAKE A YEAR TO COMPLETE, LOCAL
SOURCES DO NOT ENVISION PRODUCTION COMING ON STREAM IN LESS THAN
FIVE YEARS.

4. NUMEROUS REPORTS ARE CIRCULATING AS TO HOW CARAIBA WILL BE
MANAGED. GOB-OWNED COMPANY WXHALE DO RIO DOCE (CVRD) IS SAID TO
BE SET TO TAKE OVER PROJECT. ANOTHER CONTENDER IS ANGLO-AMERICAN
CORP., WHICH HAS BEEN NEGOTIATING WITH GOB FOR MONTHS, WITH
BAZANO-SIMONSEN BANK INVOLVED AS LOCAL INTERMEDIARY AND POTENTIAL
FINANCIER AND PARTNER. (A U.S. MINERALS FIRM, LEON TEMPLESMAN
AND SONS, ALSO IS PLAYING A ROLE IN THOSE NEGOTIATIONS.) UNION
MINIERE ALSO IS REPORTED TO BE INTERESTED IN CARAIBA, AS ARE
SEVERAL OTHER MULTI-NATIONAL AND BRAZILIAN GROUPS. BECAUSE OF
NATIONAL IMPORTANCE OF COPPER, BRAZILIAN INTERESTS ARE THOUGHT
CERTAIN TO EMERGE AS MAJORITY OWNERS, QUITE POSSIBLY AS PART OF AN
INTERNATIONAL CONSORTIUM.

5. ANOTHER INTERESTING PROSPECT FOR CARAIBA ARISES OUT OF GOB'S
ON-GOING COPPER DISCUSSIONS WITH CHILE. PERSISTENT REPORTS CLAIM
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THAT CHILE MIGHT PARTICIPATE IN NEW SMELTER PROJECT. BECAUSE
CARAIBA'S RESERVES ARE CONSIDERED TOO SMALL TO SUPPORT AN ECONOMIC-
ALLY VIABLE SMELTER, CHILEAN CONCENTRATES COULD BECOME ATTRACTIVE
SUPPLEMENT. MOST FREQUENTLY MENTIONED IS SMELTER TO PRODUCE
100,000 MT PER YEAR OF COPPER. ABOUT ONE-THIRD OF METAL WOULD BE
REFINED FROM CARAIBA CONCENTRATES, REMAINDER FROM CHILEAN SHIP-
MENTS. TOTAL INVESTMENT FOR A MINE/BENEFICIATION/SMELTER PROJECT
IS ESTIMATED AT SEVERAL HUNDRED MILLION DOLLARS. HOWEVER,

BECAUSE CARAIBA RESERVES MIGHT LAST NO LONGER THAN 12 YEARS, THERE IS SERIOUS DOUBT AS TO WHO MIGHT INVEST SUCH A SUM. THIS PROBLEM MAY BE ALLEVIATED VIA BRAZILIAN INVESTMENT IN CHILEAN COPPER MINES. GOB ALSO HAS INITIATED DISCUSSIONS RECENTLY WITH GOVERNMENTS OF PERU AND MEXICO ON POSSIBLE MEANS TO ENSURE LONG-TERM SUPPLY OF COPPER.

6. FYI: BRAZIL PRODUCED 4,200 MT OF PRIMARY COPPER IN 1973 AND 42,500 MT OF SECONDARY METAL. IMPORTS OF REFINED COPPER LAST YEAR TOTALED 93,000 MT, VALUED AT \$154 MILLION C.I.F. MOST IMPORTANT SUPPLIERS WERE UNITED STATES (34 MILLION); CHILE (\$16 MILLION); ZAIRE (\$14 MILLION); AND WEST GERMANY (\$13 MILLION). BRAZIL'S TOTAL COPPER RESERVES, LOCATED MAINLY IN BAHIA AND RIO GRANDE DO SUL, ARE ESTIMATED AT 109 MILLION MT OF ORE AVERAGING 1.0-1.5 PERCENT COPPER.

7. AIRGRAM FOLLOWS WITH ADDITIONAL DETAILS.
MILLER

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Message Attributes

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Disposition Case Number: n/a
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TAGS: EMIN, BR, CI, PE, MX, US, CARAIBA, WXHALE DORIO DOCE, ANGLO-AMERICAN CORP, UNION MINIERE, (PIGNATARI, FRANCISCO)
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